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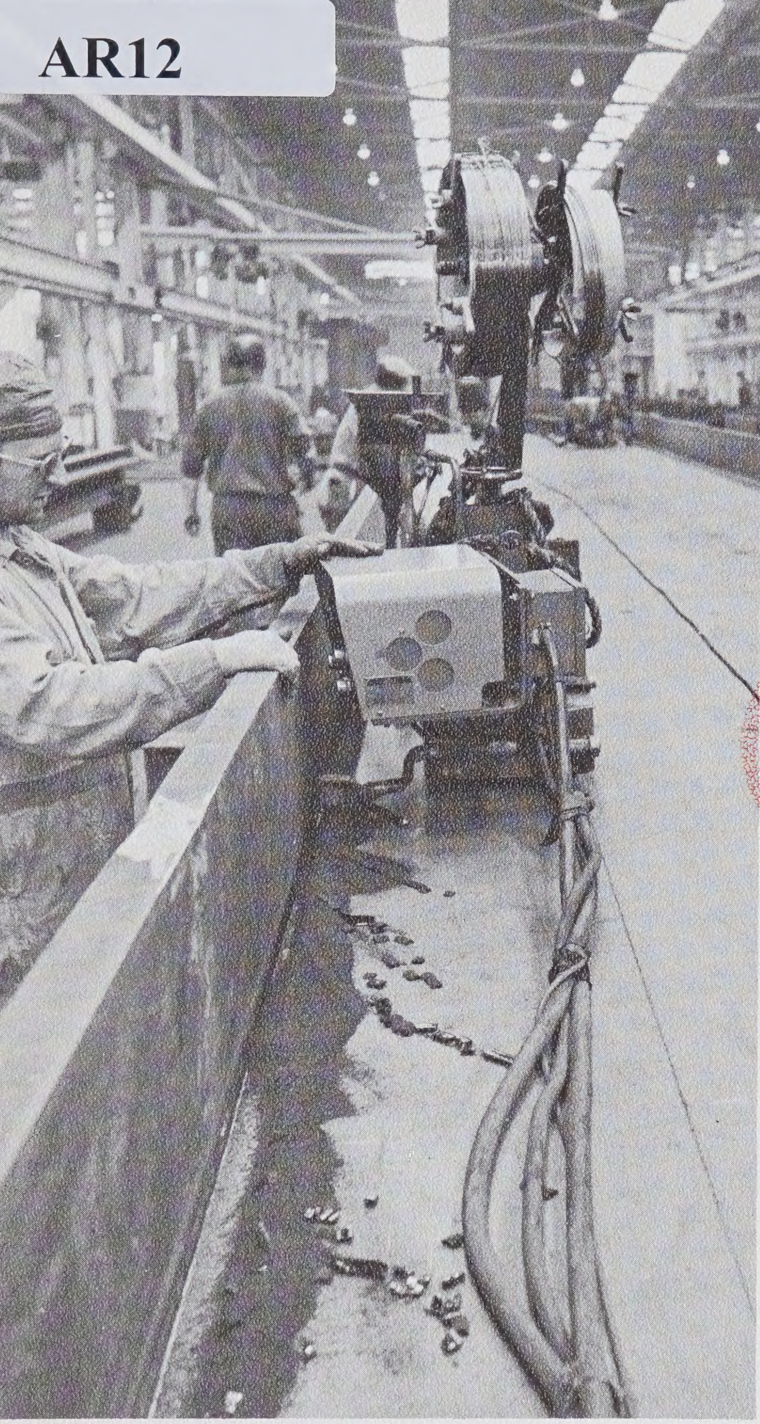

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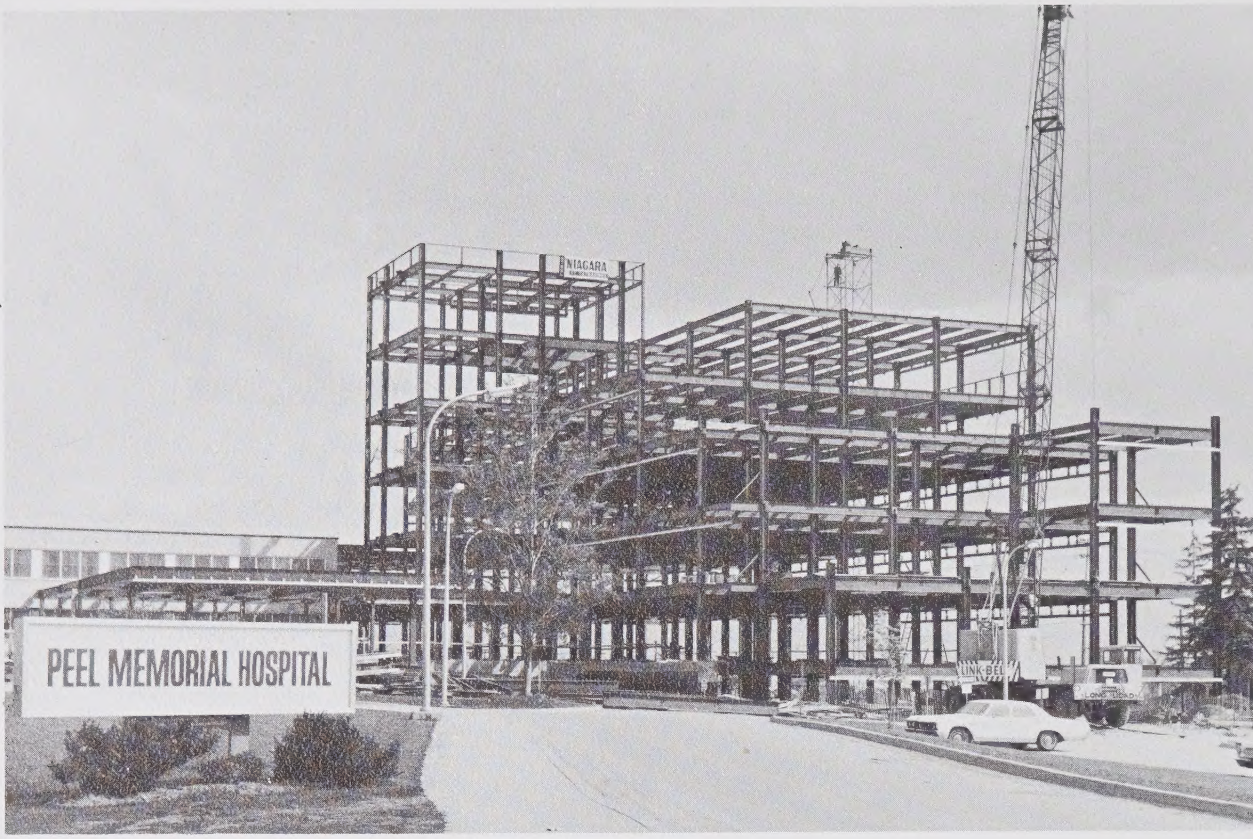
# NIAGARA STRUCTURAL STEEL COMPANY LIMITED

1968 Annual Report




PEEL MEMORIAL HOSPITAL, BRAMPTON, ONTARIO — 1100 TONS OF STEEL — COMPLETED 1968


PARIS BRIDGE, OVER GRAND RIVER AT PARIS, ONTARIO — 1365 TONS OF STEEL — COMPLETED 1968

# NIAGARA STRUCTURAL STEEL
## COMPANY LIMITED

**DIRECTORS:**

B. A. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
E. D. SCOTT
H. P. TOMARIN

**OFFICERS:**

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
J. C. BEVERIDGE, C.A., R.I.A., Treasurer

**HEAD OFFICE & GENERAL SALES OFFICE:**

SMITH & PETRIE STREETS
ST. CATHARINES, ONTARIO

**AUDITORS:**

DAVID B. FINE & COMPANY
TORONTO, ONTARIO

**SOLICITORS:**

OLCH, WORLD & TORGOV
TORONTO, ONTARIO

**REGISTRAR AND TRANSFER AGENT:**

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed: The Toronto Stock Exchange

# THE YEAR IN REVIEW

Your directors submit herewith the Annual Report of your Company for fiscal year ended August 31, 1968.

The loss incurred for the fiscal period under review is $37,362.00 compared to a profit of $71,917.00 for fiscal 1967.

Sales volume was approximately $7,100,-000.00 compared with approximately $7,200,-000.00 for fiscal 1967.

Profit before provision for income tax was $16,577.00 compared to $174,419.00 for fiscal 1967.

Significant factors contributing to after-tax loss for the year were:

— Industry-wide strike of field workers which shut off deliveries to field projects during the first two months of the fiscal year.

— Reduced activity in the industry resulted generally in tighter tender prices, notwithstanding increases in operating and labour costs.

— Non-recurring start-up expenses of Niagara's subsidiaries Northern Steel Co. Ltd. and Northern Steel (Nfld) Limited organized to serve the needs of the mining industry in Northern Quebec and Labrador.

Notice should be taken of the reduction in operating capital. This reduction is mainly the result of investment in plant and building for the Northern Steel operations. A portion of this reduction has been recovered by a long-term bank loan arranged by the Northern Steel subsidiaries, the proceeds of which were received after the 1968 fiscal year end.

Your Directors are confident that the investment in Northern Steel will develop satisfactory returns in future years.

Some features of fiscal 1968:

— First Preference shareholders received a total of $35,814.00 by way of four quarterly dividends.

— Sales backlog entering the 1969 fiscal period is in excess of $2,000,000.00.

— Niagara acquired all minority interests in Northern Steel Co. Ltd. and Northern Steel (Nfld) Limited, and the Northern Steel subsidiaries are now accordingly wholly owned by your Company.

Projects completed by Niagara during 1968 included Stelco Blast Furnace Complex for Arthur G. McKee & Company at Hamilton; Eldorado Mining Zirconium Plant for Catalytic Construction at Port Hope; bridge over Grand River for D.H.O. at Paris; Canada Foils Strip Casting Plant for Frid Construction at Bracebridge; Concentrate Stockpile Conveyor System for Wabush Mines at Pointe Noire, Quebec.

Included in present backlog are Iron Ore Concentrator Facilities for Falconbridge Nickel Mines at Falconbridge; Loadout Structure and Conveyors for International Nickel Company at Thompson, Manitoba; Dofasco Blast Furnace Complex for Arthur G. McKee & Company at Hamilton; McMaster University Central Utilities Building for Pigott Construction at Hamilton; Canadian British Aluminum Company Manufacturing Facilities Addition at Baie Comeau, Quebec for Canadian Bechtel Limited.

Your directors acknowledge the dedicated services of all employees over the past year and particularly their efforts in establishing the Northern Steel subsidiaries.

Respectfully submitted
on behalf of the Board of Directors,

H. P. Tomarin

H. P. TOMARIN
President

February 1, 1969

## ASSETS

| | AUGUST 31 1968 | 1967 |
|---|---|---|
| **Current** | | |
| Cash | $ 5,014 | $ 1,100 |
| Accounts receivable, less allowance for doubtful accounts | 1,865,494 | 2,065,106 |
| Income taxes recoverable | | 66,542 |
| Inventories of steel, work in process and sundry materials, at lower of cost or net realizable value | 1,239,536 | 1,148,228 |
| Prepaid expenses | 69,671 | 53,290 |
| | $3,179,715 | $3,334,266 |
| **Fixed** | | |
| Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures (Notes 2 and 11) | $2,226,245 | $1,962,518 |
| Less — accumulated depreciation (Note 3) | 487,657 | 413,534 |
| | $1,738,588 | $1,548,984 |
| **Other** | | |
| Special refundable tax | $ 11,724 | $ 12,226 |
| Incorporation and issue expenses, less amortization (Note 4) | 52,000 | 56,000 |
| | $ 63,724 | $ 68,226 |
| | $4,982,027 | $4,951,476 |

## AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1968 and the consolidated statements of operations, earned surplus and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, earned surplus and source and use of funds present fairly the financial position of the Companies as at August 31, 1968 and the results of their operations and the sources and uses of their funds for the year ended on that date, in accordance with generally accepted accounting principals applied on a basis consistent with that of the preceding year.

Respectfully submitted,

DAVID B. FINE & COMPANY,

Chartered Accountants.

Toronto, January 24, 1969.

## LIABILITIES

| | AUGUST 31 1968 | 1967 |
|---|---|---|
| **Current** | | |
| Bank advances (secured) (Note 6) | $1,151,605 | $ 915,892 |
| Accounts payable and accrued liabilities | 1,219,157 | 1,107,887 |
| Income and other taxes payable | 132,587 | 191,227 |
| Advances on construction in progress | 46,662 | 167,751 |
| Long term debt due within one year (Notes 5 and 7) | 55,450 | 53,050 |
| | $2,605,461 | $2,435,807 |
| **Long Term Debt** | | |
| Bank Loans (secured) (Note 5) | $ 222,375 | $ 273,825 |
| 7% Mortgage payable, due December 31, 1972 (Note 7) | 14,500 | 18,500 |
| Balance owing on land pursuant to an agreement of purchase, due December 31, 1970 (Note 11) | 12,000 | |
| | $ 248,875 | $ 292,325 |
| | $2,854,336 | $2,728,132 |

## SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

| | |
|---|---|
| 50,000 | First preference shares with a par value of $30 each, issuable in series |
| 1,750 | First preference shares, series A purchased for cancellation out of purchase fund (Note 9) |
| 48,250 | Balance authorized |
| 1,000,000 | Common shares without par value |

Issued and fully paid:

| 1968 | 1967 | | 1968 | 1967 |
|---|---|---|---|---|
| 20,000 | 20,000 | 6½% cumulative, redeemable, convertible first preference shares, series A with a par value of $30 each, redeemable at $31.50 (Note 12) | $ 600,000 | $ 600,000 |
| 1,750 | 1,290 | First preference shares, series A purchased for cancellation out of purchase fund (Note 9) | 52,500 | 38,700 |
| 18,250 | 18,710 | Balance outstanding | $ 547,500 | $ 561,300 |
| 475,007 | 475,007 | Common shares without par value | 997,507 | 997,507 |

| | 1968 | 1967 |
|---|---|---|
| Excess of net asset value of subsidiary over purchase price of shares at date of acquisition | 193,897 | 193,897 |
| Contributed surplus (Note 9) | 5,553 | 3,418 |
| Earned surplus | 382,181 | 454,504 |
| First preference shares, series A purchase fund (Note 9) | 1,053 | 12,718 |
| | $2,127,691 | $2,223,344 |
| | $4,982,027 | $4,951,476 |

Approved on behalf of the Board:

Director: H. P. Tomarin

Director: Harry W. Olch

## NIAGARA STRUCTURAL STEEL COMPANY LIMITED AND SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF OPERATIONS

| | YEAR ENDED AUG. 31 1968 | 1967 |
|---|---|---|
| Net Sales | $7,104,107 | $7,199,919 |
| Cost of sales and expenses | 6,863,648 | 6,809,471 |
| Profit from operations before providing for the undernoted items | $ 240,459 | $ 390,448 |
| Provision for depreciation (Note 3) | $ 95,847 | $ 88,235 |
| Remuneration of directors and senior officers | 109,060 | 105,850 |
| Interest on long term debt | 18,975 | 21,944 |
| | $ 223,882 | $ 216,029 |
| PROFIT (Before income taxes) | $ 16,577 | $ 174,419 |
| Deduct: Provision for income taxes | 53,939 | 102,502 |
| NET PROFIT OR (LOSS) | $ (37,362) | $ 71,917 |

### CONSOLIDATED STATEMENT OF EARNED SURPLUS

| | YEAR ENDED AUG. 31 1968 | 1967 |
|---|---|---|
| Balance at beginning of year | $ 454,504 | $ 571,306 |
| Add: Net profit or (loss) for year | (37,362) | 71,917 |
| Amount transferred from first preference shares, series A purchase fund (Note 9) | 11,665 | |
| | $ 428,807 | $ 643,223 |
| Deduct: Net loss on disposals of fixed assets | $ 1,100 | $ 343 |
| Incorporation and issue expenses, amount written off (Note 4) | 4,000 | 4,000 |
| Dividends on preference shares | 35,814 | 36,487 |
| Amounts transferred to first preference shares, series A purchase fund | | 12,000 |
| Additional income taxes assessed affecting prior years (Note 10) | 5,712 | 135,889 |
| | $ 46,626 | $ 188,719 |
| Balance at end of year | $ 382,181 | $ 454,504 |

### CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

| | YEAR ENDED AUG. 31 1968 | 1967 |
|---|---|---|
| Source of funds: | | |
| Net profit or (loss) from operations | $ (37,362) | $ 71,917 |
| Depreciation (a charge not requiring a cash outlay) | 95,847 | 88,235 |
| Funds from operations | $ 58,485 | $ 160,152 |
| Repayment of special refundable tax | 502 | |
| | $ 58,987 | $ 160,152 |
| Use of funds: | | |
| Net cost of additions to fixed assets | $ 286,551 | $ 123,786 |
| Decrease in long term debt | 43,450 | 53,050 |
| Dividends on preference shares | 35,814 | 36,487 |
| Preference shares purchased for cancellation | 11,665 | |
| Additional income taxes assessed | 5,712 | 135,889 |
| Increase in special refundable tax | | 3,721 |
| | $ 383,192 | $ 352,933 |
| Decrease in working capital | $ 324,205 | $ 192,781 |

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AUGUST 31, 1968

1. The consolidated financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies which are all wholly owned.

2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary were appraised at a depreciated value of \$1,439,547. The directors of the subsidiary company, however, placed a value on these assets of \$1,428,697 and an excess of \$913,165 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.

3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.

4. The cost of incorporation and issue expenses is being amortized at the rate of \$4,000 per year.

5. Bank term loans maturing on November 1, 1969 are as follows:

| | |
|---|---|
| Principal balance of first loan bearing interest at 5¾% per annum | \$152,700 |
| Principal balance of second loan bearing interest at 6% per annum | 85,350 |
| Principal balance of third loan bearing interest at 6% per annum | 35,775 |
| | \$273,825 |
| Deduct: payments due within one year included in current liabilities | 51,450 |
| | \$222,375 |

These bank term loans are secured by pledge of demand debentures subject to the provisions of loan agreements. The debentures constitute a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings as referred to in Note 7 following, and to the Company giving security in priority to the debentures to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. These bank term loans are repayable as to principal in monthly instalments plus interest.

6. Advances by the general bankers are secured by a pledge of accounts receivable and inventories. In addition a \$1,250,000 demand debenture has been issued to the general bankers as collateral security consisting of a floating charge on all of the assets of the Company subject in priority to the debentures referred to in Note 5.

7. The Company owns a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of \$37,000, bearing interest at 7% per annum and is repayable \$2,000 quarter yearly on account of principal plus interest.

| | |
|---|---|
| Principal mortgage balance, one-half share | \$ 18,500 |
| Deduct: payments due within one year included in current liabilities, one-half share | 4,000 |
| | \$ 14,500 |

8. Contingent liability:

| | |
|---|---|
| Letters of credit, balance outstanding | \$ 52,574 |

9. The Company purchased for cancellation during the year out of the purchase fund set aside in prior periods, at a cost of \$11,665, 460 First Preference shares, Series A with a par value of \$30 each, and the difference of \$2,135 has been added to contributed surplus. The total number of shares purchased for cancellation up to the close of the current fiscal year is 1,750 First Preference shares, Series A for a total cost of \$46,947.

10. The Company is opposing the re-assessments of income taxes for certain prior periods and the appeal in this matter is pending.

11. The subsidiary, Northern Steel (Nfld) Limited, has entered into an agreement to purchase for a consideration of \$12,000 the lands at Wabush Mines, Labrador, upon which there has been erected and installed building and plant for the purposes of the subsidiary's business.

12. The number of common shares issued will be increased in the event of conversions of the 6½% cumulative redeemable convertible First Preference shares, Series A, pursuant to the conversion rights attached to such shares.

13. The Company has undertaken to grant to certain officers and full-time key employees, options to purchase up to a total of 45,000 common shares in its capital at \$3 per share, such options to be exercised within such periods as the directors may determine.

CANADA

EXTERNAL AID OFFICE
BUREAU DE L'AIDE EXTÉRIEURE
OTTAWA 4

907-002
17-37-3

February 21, 1968

Niagara Structural Steel Company Limited
St. Catharines, Ontario

Attention: Mr. R. A. Kennedy
Vice-President

Dear Sirs:

JAMAICA

OLIVIER BRIDGE

We were very pleased to learn of the expeditious fashion in which you completed your contract for the super-structure steel of the Olivier Bridge.

We wish to thank you for an excellent job completed as part of this Canadian/Jamaica cooperative project.

Yours very truly

G. P. Webb

G. P. Webb, P. Eng.
Area Programme Administrator
Capital Assistance Division

c.c. The Office of the High Commissioner for Canada,
Kingston, Jamaica.
Woodstock Engineering Consultants Ltd.,
Attn: Mr. H.E. Jones